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C O N F I D E N T I A L SECTION 01 OF 02 VIENNA 000799

SIPDIS

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TAGS: [ENRG](#) [ETTC](#) [PREL](#) [EPET](#) [EINV](#) [AU](#) [IR](#)  
SUBJECT: OMV UNDER PRESSURE TO CONCLUDE SOUTH PARS DEAL

REF: A) VIENNA 518 B) 07 VIENNA 2851 C) 07 VIENNA  
2815 D) 07 VIENNA 1068

Classified By: Charges d'Affaires a.i. Scott F. Kilner for reasons 1.4  
(b) and (d).

Summary  
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¶1. (C) Thomas Mayr-Harting, the MFA's Political Director, told EUR DAS Bryza and Charge on June 2 that OMV is under intense pressure from Iran to conclude its South Pars deal "in the next 4-5 months." Mayr-Harting said that the GoA would continue to advise OMV to go slow, but, if other European energy companies decided to conclude deals in Iran, it would be impossible to hold back OMV. DAS Bryza and Charge underscored that there had been no change in U.S. policy, which opposes investments in Iran's sensitive energy sector. Charge emphasized that the USG has consistently delivered this message to all governments and companies considering investment in Iran's sensitive energy sector. Mayr-Harting said Austria would oppose further EU sanctions in the energy field, but he noted that Austria was now willing to support EU designation of Bank Melli with respect to future transactions. End Summary.

OMV Will Not Wait If Others Jump In  
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¶2. (C) During a June 2 meeting with EUR DAS Bryza and Charge, MFA Political Director Thomas Mayr-Harting raised the status of the April 2007 Heads of Agreement for OMV to participate in the development of the South Pars 12 field (ref D). Mayr-Harting reiterated that both Foreign Minister Plassnik and Vice-Chancellor and Finance Minister Molterer had successfully intervened with OMV to persuade the company to "go slow" with the preliminary deal. However, Mayr-Harting emphasized that OMV, according to CEO Wolfgang Rutenstorfer, is under intense pressure from Iran to finalize the deal "in the next 4-5 months." Rutenstorfer reportedly does not want OMV to be out in front of the pack, as the first Western firm to finalize a new gas deal. Although some firms -- Repsol and Shell -- are apparently continuing with a go-slow approach on their Iranian developments, Mayr-Harting claimed that many other European companies -- Statoil, Spain's Gas Natural, ENI, and a Polish firm -- are poised to move forward with projects in the South Pars field.

¶3. (C) OMV, according to Mayr-Harting, remains concerned that if western companies stay out of Iran indefinitely, Iran would opt for non-western, especially Russian and Chinese, development of its energy resources. He predicted that, with a continuation of the status quo, Iranian gas would eventually reach Europe in any case, but via Russia. Mayr-Harting criticized what he termed hypocritical maneuvering by some countries to enter Iran "through the

backdoor." France, for instance, was publicly taking a strong line against investment in Iran's energy sector; however, Electricite de France, through its substantial interest in Edison, remains actively involved in Iran's energy sector.

14. (C) Mayr-Harting reiterated that OMV "would not be first" in concluding an Iranian deal. However, he stressed that, politically, it would be out of the question for the GoA to continue to hold back OMV, if other European energy companies moved forward in Iran. OMV, according to Mayr-Harting, had promised to give the GoA notice 4-5 weeks in advance of any significant movement.

#### U.S. Opposes Investment in Iran's Energy Sector

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15. (C) DAS Bryza underscored that the U.S. remains strongly opposed to investment in Iran's sensitive energy sector. The Iran Sanctions Act obligates the Administration to review any significant new energy sector investment to determine whether U.S. sanctions should be invoked. DAS Bryza added that there is an inter-agency discussion in Washington about the implications for U.S. support for Nabucco, should the project include Iranian gas.

16. (C) Charge followed-up by meeting again with Mayr-Harting on June 3, emphasizing that the U.S. had delivered consistent messages to all governments and firms regarding our opposition to investments in Iran's energy sector. Charge strongly rejected Mayr-Harting's comments implying that the

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U.S. had been inconsistent in its approaches to European governments and oil companies. Charge stated that the U.S. had been unequivocally clear to all governments, including those who are NATO members.

#### Austria Could Support Bank Melli Designation

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17. (C) Mayr-Harting acknowledged that multiple tools should be considered to persuade Iran to cooperate with the IAEA and honor its UNSCR obligations. However, he emphatically ruled out Austrian support for any EU sanctions in the energy sector. Mayr-Harting did, however, volunteer that Austria had lifted its opposition to EU sanctions against Bank Melli, provided the sanctions would be prospective, and not retroactive, in their application.

#### Comment

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18. (C) Mayr-Harting was clearly testing the waters to see if there was any room for OMV to maneuver in Iran. His comment that OMV is under pressure to move forward in 4-5 months may well be an accurate estimate of OMV's timeline to conclude its South Pars deal. We also take at face value Mayr-Harting's observation that the GoA will be unable (or unwilling) to hold back OMV if others begin to move forward with gas projects in the South Pars. The Austrians unquestionably are tracking very closely 1) what activities other European oil companies are pursuing in Iran, and 2) what the USG is saying to other European governments about these activities. (Mayr-Harting asked several times whether the U.S. would retain Switzerland as its protecting power in Iran, given recent developments.) Finally, it strikes us as at least conceivable that OMV may be maneuvering with other European energy companies to create a simultaneous "wave" of forward movement in Iranian investment projects that would be hard for the United States to counter.

19. (U) DAS Bryza cleared this message.

